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UNCLAS SECTION 01 OF 02 ACCRA 002565

SIPDIS

PASS FOR USTR LAURIE-ANNE AGAMA
TREASURY FOR LUKAS KOHLER

E.O. 12958: N/A

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SUBJECT: GHANA'S TEXTILES AND APPAREL SECTOR: UPDATED

STATISTICS AND PROJECTIONS OF FUTURE COMPETITIVENESS

REF: A. STATE 146213

[B. ACCRA 1391](#)

[¶1.](#) Summary: Ghana's textile and apparel sector is small and -- despite the extension of AGOA benefits -- continues to shrink. Labor problems, cheap imports, lack of access to capital, smuggling, and copyright infringements have all contributed to a slow but steady decline over the last 30 years. Ghana's unique textile products, however, continue to attract interest and could contribute to a revival of the industry if the business climate improves. End Summary.

[¶2.](#) Per ref A's request for information, Post provides the following information and analysis for Ghana's textile and apparel sector for 2004.

2004 Statistics

Total industrial production: USD 2.1 billion

Total textiles and apparel production:(not available)

Textiles and apparel's share of imports and exports: USD 159 million (2% of total imports and exports)

Total manufacturing employment:(not available)

Total Textiles and apparel employment: 14,000 (estimated)

NOTE: The Ministry of Trade and the Ghana Statistical Service do not have good data for the textile and apparel sector. Many small apparel firms operate on the informal market and are impossible to track.

[¶3.](#) In response to ref a, para 5, Post provides the following analysis.

-- Are host country producers receiving lower prices due to heightened international competition?

Producers report that once quality thresholds are met, price is the primary issue in all transactions with foreign buyers. Buyers are typically asking for a certain number of pieces for a predetermined price. Neither the size nor cost of orders is negotiable. The domestic market for locally produced goods has also been negatively affected by international competition. Ghana is the largest importer of used clothing in Africa (source: International Trade Center, Geneva). Used clothing sales hurt sales of domestically produced textiles and apparel, although they are an important source of inexpensive clothing for poor Ghanaians.

The smuggling of counterfeit Ghanaian prints from China has also impacted the market. One textile maker closed recently with the loss of 1,000 jobs, and another stopped production for several months to cut costs. Both companies blamed illegal imports for their problems, although neither has made strong efforts to modernize facilities or equipment to lower costs. The GoG hopes new rules requiring textiles and apparel to be imported through a single port facility in Takoradi, coupled with more rigorous inspection, can stem the tide of illegal goods. (NOTE: One expat textile executive explained that some of these fakes are produced, imported, and sold on the domestic market before the Ghanaian originals can be registered and marketed. END NOTE)

-- Have U.S. and EU safeguards limiting Chinese imports affected the export prospects of host country manufacturers?

Industry contacts report that U.S. and EU safeguards have had a positive impact on their volume of business.

-- Has increased global competition affected local labor conditions?

Ghana's labor laws leave companies operating on the formal market little flexibility to react to competition by adjusting wages or the size of their labor force, and even less if they become unionized. "Big Box" customers in the U.S. routinely avoid doing business with unionized suppliers

to avoid delays in delivery, relying on certification processes to ensure work environments are safe and workers are treated according to international standards. Unions in Ghana tend to focus on maximizing wages and benefits for workers employed in firms operating on the formal market, placing workers' interests above the health of the firm.

With regular inflation in the 20 to 30% range from 2000 - 2003, workers came to expect 30 to 40% annual wage increases. These expectations remain, despite the decline in inflation to 12 to 16 percent over the last two years. The GoG has little to gain politically by liberalizing labor laws, and will often intervene in disputes on behalf of the workers. (Note: The new Labor Law of 2003 has, however, created the independent National Labor Commission to mediate labor disputes. The commission has begun to mediate several key disputes in other sectors of the economy With USAID assistance. Therefore, direct GoG intervention in labor disputes should diminish over time.)

-- Has the government or private industry taken action to increase the host country's competitiveness?

The GoG is taking action to increase competitiveness by improving services and facilities at the ports, proposed legislative reforms, and through Presidential Special Initiatives (PSI). Port improvements and legislative reforms will take time, and Emboffs have heard from government and private sector sources that PSI funds are sometimes directed to politically connected companies. The GoG has used PSI to send company representatives to trade shows in the U.S. and to promote marketing companies. The private sector has had some notable success, particularly firms working with the USAID-sponsored West Africa Trade Hub (ref b).

-- Is your host government a partner in a free trade agreement or the beneficiary of a preference program?

Ghana is an AGOA eligible country, and has a Trade and Investment Framework Agreement with the U.S. Ghana is in the process of implementing the Economic Community of West African States (ECOWAS) Common External Tariff (CET), which should lead to the implementation of a Free Trade Zone comprised of the member states. Once the CET and Free Trade Zone have been implemented, member countries intend to form a Customs Union. Progress, however, has been slow, and implementation of the CET has been haphazard. Ghana is also participating as an ECOWAS member country with other ACP countries in negotiating a trade agreement (Economic Partnership Agreement) with the EU.

-- Does post think the host country can be competitive in textiles and apparel exports with the end of global textiles and apparel quotas?

Ghana's industry needs to modernize and expand quickly if wants to handle the volume, quality levels, and prices buyers demand and also compete with other countries that wish to establish themselves as alternative sources. Ghana could be even more competitive for the long term by focusing on its wide array of unique textile designs. To do both the GoG should focus on protecting the intellectual property rights of its producers domestically and abroad, while working to improve the business climate and alleviate congestion at the ports.

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